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S E C R E T SECTION 01 OF 03 KUWAIT 000494

SIPDIS

STATE FOR EB/ESC/TFS GGLASS AND NROTHSTEIN
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NSC FOR GPETERS; TREASURY GENERAL COUNSEL FOR DAUFHAUSER
TREASURY FOR OFAC DIRECTOR RNEWCOMB; TREASURY FOR JZARATE
TREASURY TASK FORCE ON TERRORIST FINANCING
PARIS FOR PETER KUJAWINSKI AND UZRA ZEYA
TUNIS FOR NATALIE BROWN

E.O. 12958: DECL: 02/03/2014

TAGS: EFIN ECON ETTC PTER PREL KU

SUBJECT: (C) TERRORIST FINANCE: LDI ATTEMPTS TO CLEAR ITS NAME WITH OFAC

REF: A.) 03 KUWAIT 4840 B.) 03 KUWAIT 958 C.) 04
PARIS 379

Classified By: CDA Frank C. Urbancic for reasons 1.4 (b) and (d)

¶1. (C) Summary: OFAC Director Richard Newcomb met with representatives of Kuwaiti charity Lajnat al-Dawa al-Islamiya (LDI) and its parent organization, the Social Reform Society (SRS) at the Kuwaiti Ministry of Foreign Affairs (MFA) on January 19. The group discussed a number of issues outstanding from OFAC's October 2003 visit to Kuwait (Refs A and B), including transactions made by LDI and SRS following LDI's designation by the US and UN as a supporter of terrorism. During the meeting LDI representatives gave conflicting responses to questions posed by the OFAC delegation regarding the presence of overseas offices and LDI's relationship with SRS. LDI denied the existence of a US branch even when confronted with US registration documents listing LDI officials as President and Secretary of the branch. LDI confirmed that the Pakistan branch of LDI was headed by Zahed Shaykh Mohammed, brother of 9/11 mastermind Khalid Shaykh Mohammed. The Kuwaiti delegation, led by Islamist MP Nasser Al-Sane, mounted an energetic defense of LDI's activities, and welcomed the opportunity to review any negative information OFAC could provide them on the charity. Also present was Ambassador Khaled Maqamis, head of the MFA's Follow-Up Department. End Summary.

¶2. (C) On January 19, an OFAC delegation led by Director Richard Newcomb met with representatives of LDI (notably LDI head Abdulatif Al-Hajeri) and SRS, headed by MP Nasser Al-Sane. (Note: Al-Sane is a member of the Islamic Constitutional Movement, the political wing of SRS. End Note.) Al-Sane said he had tried to reach Newcomb regarding the designation of Kuwaiti charities and other matters discussed in the October 2003 meeting with OFAC (Ref. A), but had been unsuccessful in doing so. Al-Sane said he had double-checked with Kuwait Finance House (KFH) and the Central Bank of Kuwait (CBK) and confirmed that LDI funds were frozen in March 2003. (Note: KFH told USG that it froze LDI accounts February 6, 2003. End Note.) Responding to questions by Newcomb, Al-Sane said that some of LDI's beneficiaries had received funds through SRS after the freeze, and stipulated that the funds were used to continue ongoing charity works which the freezing of LDI funds had halted. "The beneficiary has no link with LDI," he added. Al-Sane stated that LDI is no longer functioning, "period."

Relationship between SRS and LDI

¶3. (C) Newcomb repeatedly asked Al-Sane for an explanation of the relationship between SRS and LDI. Al-Sane claimed the two "coordinated with each other," but were essentially different entities with independent financing and leadership. After multiple attempts to get him to further clarify this, Al-Sane finally admitted that LDI was legally subordinate to SRS, per Kuwaiti charity law. However, he reiterated, SRS does not control or give instructions to LDI. (Note: KFH stated that LDI was not a legal or separate entity, but was one and the same as SRS. As such, KFH officials inquired as to why USG had only designated LDI and not SRS. End Note.)

Busted: LDI's 'forgotten' North American branch

¶4. (C) Al-Sane and LDI head Abdulatif Al-Hajeri began the meeting by declaring that LDI had foreign branch offices in Pakistan and Afghanistan only. When asked, they explicitly denied there was a North American branch. However, when Newcomb began to read U.S. corporate registration documents listing members of the Kuwaiti delegation as officers of "Lajnat al-Dawa, North America Office" located in Colorado (Al-Hajeri was listed as the President), the Kuwaitis were hard-pressed for an answer. They acknowledged knowing the founder of the US branch, Mohammed Abdulrahman, and stated he had just "used our names" back in 1995 in order to gain financial backing. They insisted that the group was "completely unrelated" to LDI in Kuwait. When the Kuwaitis

claimed the group had not been active in the U.S for many years, Newcomb pointed out that as late as 2000, LDI officers Al-Hajeri and Al-Jeeran were listed as officers of the US branch. (Note: At this point, Ambassador Maqamis, who had remained silent throughout the discussion, left the room for a brief period of time. We have no way of knowing for what purpose. End Note.)

On French conversations with LDI and Foreign Minister

¶15. (C) Al-Sane insisted that LDI had been unfairly accused of supporting terrorist activities, and argued that the designation was causing severe damage to an organization dedicated to charity work. He said LDI had been invited by Ambassador William B. Taylor to conduct its charity activities in Afghanistan in November 2002, but subsequently had had its assets frozen. Responding to a question about Kuwaiti conversations with the French on LDI's designation, Al-Sane said FM Dr. Mohammed had raised the matter with French FM Dominique de Villepin during his recent visit. De Villepin said he would look into the matter. According to Al-Sane, the French claim the LDI office in Pakistan was used to make calls to Al-Qaeda operatives; Al-Sane says the calls occurred before LDI occupied the office. The French, he said, claim there are LDI branches in Burkina Faso and Bahrain; Al-Sane maintains there are not. (Note: In the October 5, 2003 meeting with Newcomb, an LDI representative conceded that LDI had a branch office in Russia, after claiming they only used offices in Kuwait and Pakistan (Ref. A). End Note.) The French claim 9/11 mastermind Khaled Shaykh Mohammed was heading up the Pakistan LDI branch; in reality, Al-Sane said, Mohammed was in Qatar. The French claim LDI transferred Euros to Libya; Al-Sane says LDI never used Euros. "We think the French took their claims from Pakistani newspapers," he added incredulously.

¶16. (C) Al-Sane said the Kuwaiti and French UN missions are working closely to resolve the issue, and noted that he had visited the UN personally in August to unofficially address members of the committee responsible for the UN designation. During this time, he also met with the French mission, who told him France would drop its support of the designation if Kuwait could get the US to do the same. Al-Sane said Kuwait has not yet filed a formal petition for de-listing. (Note: Al-Sane's account sharply contradicts French claims from January 15, 2004 in Ref. C that LDI's connection to Al-Qaeda is "rock-solid." The GOF also stated that it is important for the USG and the GOF to work together to ensure LDI remains on the UN 1267 sanctions list. End Note.)

Accounts at KFH are frozen

¶17. (C) The CBK Governor, Shaykh Salem Al-Sabah, Al-Sane and Al-Hajeri all confirmed that LDI accounts at Kuwait Finance House were frozen. Additionally, LDI said the organization had accounts in every major Kuwaiti bank when their assets were frozen. Al-Sane also stated that SRS continues to hold active accounts at KFH.

On ties to other charities

¶18. (S) Al-Sane said that prior to designation, LDI cooperated with other charities such as Mercy International. Although LDI and Mercy International shared officers and directors, LDI claimed the organizations were not related. (Note: Financial records obtained by USG indicate LDI transferred to Mercy International at least \$950,000 from February 2001 to January 2003. End Note.) LDI confirmed that the Pakistan branches of LDI and Mercy International were headed by Zahed Shaykh Mohammed, brother of 9/11 mastermind Khalid Shaykh Mohammed. Al-Sane said LDI had no knowledge of the current whereabouts of Zahed Shaykh Mohammed.

¶19. (C) Concluding the meeting, Al-Sane said he would welcome an opportunity to see OFAC's information related to the designation of LDI to be able to properly respond to any and all questions about LDI's past activities. He assured Newcomb that LDI was not involved in terrorist financing activities and asked for his help in differentiating between the good works LDI has undertaken, and the deeds of terrorist organizations.

¶10. (U) This message was cleared in MemCon format by OFAC Director Richard Newcomb.
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